



# NIXON PEABODY LLP

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May 30, 2006

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station  
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 06-42

Dear Ms. Cottrell:

Enclosed for filing in the above-referenced docket are Bay State Gas Company's responses to the following Information Requests:

DTE-1-2	DTE-1-6	DTE-1-14
DTE-1-3	DTE-1-7	DTE-1-17
DTE-1-4	DTE-1-8	DTE-1-19
DTE-1-5	DTE-1-11	DTE-1-20

If you have any questions, please do not hesitate to call me at 617-345-1316.

Very truly yours,

  
Robert L. Dewees, Jr.

RLD/tlm  
Enclosure

cc: John J. Geary, Hearing Officer (3 copies)  
Jamie M. Tosches, Esq., Assistant Attorney General (4 copies)  
Andreas Thanos, Assistant Director, Gas Division (1 copy)  
Alexander Kofitse, Analyst, Gas Division (1 copy)  
Kenneth Dell Orto, Analyst, Gas Division (1 copy)

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COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO  
INFORMATION REQUESTS FROM THE  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY  
D.T.E. 06-42

Date: May 30, 2006

Responsible: Francisco C. DaFonte, Director, Energy Supply Services

DTE 1-2      Please explain whether the Company has purchased or released capacity on the secondary capacity market in the past five (5) years. In your response, please indicate the amount of capacity and cost involved in each transaction and the reasons for the purchase/release. If the Company did not participate in the secondary capacity market in the past five years, please explain why?

Response:    The Company has released capacity into the secondary market on many occasions. See Attachment DTE 1-2 for the value derived from these transactions over the past five years.

	<b>Volumes (Dth)</b>	<b>Capacity Release Revenue (Non-Traditional)(1)</b>	<b>Capacity Release Revenue (Traditional)</b>	<b>TOTALS</b>
<b>2002</b>	68,769,168	\$ 1,916,842.06	\$ 2,413,653.65	\$ 4,330,495.70
<b>2003</b>	115,331,401	\$ 1,317,607.46	\$ 2,619,292.50	\$ 3,936,899.96
<b>2004</b>	105,781,709	\$ 1,363,312.88	\$ 1,939,513.62	\$ 3,302,826.50
<b>2005</b>	147,027,620	\$ 1,959,208.17	\$ 4,355,585.47	\$ 6,314,793.64
<b>2006(2)</b>	59,422,278	\$ 903,400.18	\$ 4,950,905.09	\$ 5,854,305.27
<b>TOTAL</b>	496,332,176	\$ 7,460,370.74	\$ 16,278,950.33	\$ 23,739,321.07

(1) Capacity release revenues associated with mandatory capacity assignment in MA.

(2) 2006 capacity release revenues are estimated.

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DTE 1-3      Please refer to the Company's filing at 3-4. Please explain whether any bidder or potential bidder objected to the request for proposals process in terms of its fairness and transparency?

Response:    None of the bidders or potential bidders expressed any verbal or written objection to the request for proposal, its process or its fairness and transparency.

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- DTE 1-4
- (a) Please discuss the ways by which the Company continually monitors the market and evaluates resource options to maintain an optimal, least-cost and reliable resource portfolio.
  - (b) Please detail the process by which the Company solicits proposals for incremental and replacement resources.

Response: (a) The Company monitors the market and potential resource options continuously through daily dialog with market participants and other key stakeholders in the industry including marketers, producers and pipelines, real-time monitoring of the Natural Gas Futures and Basis Markets including all forward strips, use of subscription and consulting services to gauge macroeconomic market impacts, attendance of key industry forums and conferences, and the solicitation of market data via a competitive bid process.

Once the appropriate market intelligence is gathered, the Company assesses all available resource alternatives via a competitive RFP process and performs detailed economic analysis with the use of the SENDOUT® optimization model.

The Company utilizes a consistent and comprehensive non-cost analysis where it rates all alternatives on pre-established the non-cost criteria of reliability, flexibility and viability. In this way, Bay State maintains a "best-cost" portfolio of resources.

(b) The Company utilizes the same solicitation process for incremental and replacement resources. The Company maintains a list of RFP recipients and updates it as necessary based on changing market participants. This list is used as the basis for all solicitations but the Company, through its market intelligence, may seek out bidders that are not on the list, if it finds there are other potentially interested and qualified parties.

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DTE 1-5      Please refer to pages 21-22 of Bay State's filing. Please rank, in order of importance, the various price and non-price factors which the Company took into consideration when making decisions regarding the replacement of its various gas supply and transportation capacity contracts. Please provide detailed reasons for the rankings.

Response:    As described in the testimony, the non-price criteria are scored or ranked as follows: Reliability 35 points (with supply security at 31 and portfolio diversity at 4 points); Flexibility 20 points; and Viability 15 points. Pricing makes up the remaining 30 points in the Company's 100-point scoring system. Bay State has used the same cost and non-cost scoring system since retail unbundling.

Also, please see Confidential Exhibit FCD-12. Page 1 lists the total score (or rank) of the resource options broken down by criteria. Pages 2 through 4 indicate the resource's score for each criteria and how the resource fits into the system for awarding points. For example, on page 2, points awarded for supply security are explained under the heading entitled, "Key".

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- DTE 1-6
- (a) How many of Bay State's existing commodity supply contracts contain no load loss provisions? Also, please provide this information in terms of units of gas.
  - (b) If applicable, please identify in a tabular format the maximum daily quantity and the per unit commodity cost for all of the Company's existing commodity supply contracts that have no load loss provisions for each of the next five (5) years.
  - (c) In qualitative and quantitative terms and for each of the next five (5) years, please describe the weighted average commodity cost of gas impact the Company's existing gas purchase contracts (with no load loss provisions) will have on captive firm customers. Within this response, please identify Bay State's migration assumptions.

Response: (a) Currently, the Company has one existing supply contract that exceeds one year in length. This contract does not have a load loss provision. The volume of this contract is 48,000 Dth/day and is awaiting Department approval in D.T.E. 06-07.

(b) The commodity cost is based on the Transco Non-NY index and terminates March, 2011.

(c) This contract is for winter peaking during the December through February period with options for a November and March supply. Thus, the Company is reasonably certain its utilization of these contractual supplies to meet firm sales demand will not be impacted by unexpected migration. Accordingly, the Company does not expect any negative impact on captive firm customers as a result of unexpected migration.

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DTE 1-7      Please provide a table that indicates, for each supply resource contract, the elements or conditions that provide for the necessary degree of reliability needed to maintain the Company's supply reliability. Indicate those elements of the contract that provide for supply flexibility.

Response:    As indicated in the response to DTE-1-6, the Company has only one supply contract with a term greater than one year. This particular contract is a baseload contract and, thus, flexibility is not a key component of the agreement. However, the Company does have the option to baseload additional volumes during the months of November and March, providing additional supply flexibility at no cost.

In terms of reliability, this contract has a primary delivery path from Niagara to Bay State's city gate providing the necessary reliability.

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DTE 1-8      Provide a table that indicates for each supply resource contract how that contract fits into Bay State's efforts to assure supply diversity.

Response:    Please see the response to DTE-1-6. The NEA contract provides Bay State with additional supply diversity because it is the only supply contract in the Company's portfolio with a receipt point at the interconnect between Transcontinental Pipeline and Algonquin Gas Transmission.

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DTE 1-11     Please discuss the recall right provisions imposed by Bay State for each of the Company's capacity release transactions in the past five (5) years, if any.

Response:     The Company has had hundreds of capacity release transactions in the past five years and the information relating to these transactions is not kept in any manner that would permit Bay State to undertake an individual review of the parameters of each such transaction. However, Bay State is able to state that as a general matter, the Company has retained the right to recall capacity it releases to third parties.

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DTE 1-14     Please provide a list of all firm transportation customers on the Company's system. Please indicate how many of these customers' upstream capacity requirements are provided by the Company.

Response:     As of April 30, 2006, the Company has 3,961 firm transportation customers of which 1,750 are grandfathered and without assigned upstream capacity requirements. Thus, 2,211 customers are firm transporters with assigned upstream capacity requirements.

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DTE 1-17     Please refer to pages 17-18 of Bay State's filing. Please provide evidence showing that the Company sought input from marketers about the Company's intentions to acquire replacement capacity resources.

Response:     Please see Exhibit FCD-5. This letter was mailed by the Company to marketers seeking comments and questions regarding the potential acquisition of these resources.

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DTE 1-19     Are the Washington 10 and Vector Agreements subject to approval by any other regulatory body other than the Department?

Response:    No. These agreements have been created to comply with tariff requirements approved by the Federal Energy Regulatory Commission and Canada's National Energy Board.

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DTE 1-20     Please discuss in detail whether Bay State must place any collateral up-front prior to the commencement of the Washington 10 or Vector Agreements?

Response:    No collateral is required up front prior to commencement of the Washington 10 or Vector Agreements.